

FUTURE DIRECTIONS FOR BELLANET

July 2005

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EXECUTIVE SUMMARY

This study has been prepared for the Bellanet International Steering Committee (BISC) to assist its deliberations in deciding on the future direction of Bellanet. The BISC have asked that two alternative scenarios be reviewed in more detail:

- Bellanet will become integrated into IDRC Programs (*Involution*)
- Bellanet will become a new legal entity (*Spin-off*)

The consultants examined documentation and interviewed members of the BISC, Bellanet staff, IDRC managers and staff, and other experts to obtain their views on the alternative scenarios and to develop a clearer picture of what both scenarios might mean for Bellanet's future.

1: Introduction

Bellanet was established in October 1994 as an International Secretariat in IDRC following a two year collaborative process between international development donors. It is one of fifteen similar collaborative initiatives that were established at IDRC between 1992 and 1997. Of these 15 Secretariats, only two will remain after Bellanet's future is decided. The others have taken different paths, including both the involution and spin-off options being considered for Bellanet (Table 1). With respect to the Secretariats, IDRC considers its role to be partly that of incubator for innovative ideas, and believes that there should be a strategy for their evolution.

The *policy* governing Secretariats at IDRC has remained the same with only one change in the reporting relationship since Bellanet was established. The policy requires that Secretariats should be linked to IDRC Programs and that all administrative costs should be reimbursed by the donors. IDRC has given notice that Bellanet will not be able to continue as an IDRC Secretariat after the end of its current Phase 3 in March 2007 since its program has become increasingly separate from that of IDRC and since losing one of its core donors in 2005 it has a projected deficit of CAD\$800,000 by the end of Phase 3.

2: Present situation: Bellanet as an IDRC Secretariat

Legally Bellanet is part of IDRC and IDRC is accountable for it to the contributing donors and to third parties. As a Secretariat, it reports to IDRC for administrative matters and to the BISC for program and budget allocation. IDRC provides all the support services for Bellanet according to a schedule agreed for Secretariats (Table 2).

In Phase 3, Bellanet has established three regional presences through agreements with partner organizations in the south which include seconded staff to Bellanet. Bellanet has 11 staff members who are IDRC employees (10 are in Ottawa and one is in Brussels). It has 7 seconded staff members working in the South (Costa Rica, Uganda and Nepal).

Bellanet's finances are a cause for concern. It will need additional support from its donors and/or make savings on its expenditures to avoid a deficit at the end of Phase 3. It presently spends over 80% of its core operating budget in its headquarters with staff costs in Ottawa as the largest single item at 59% (Table 4). Other budget items are relatively small so that a reduction in staff costs in Ottawa is almost inevitable in both the short term and for any sustainable longer term scenario.

3: The Involution Scenario

In the involution scenario, Bellanet would not change its legal status but it would change its governance. The head of Bellanet would report only to IDRC, specifically the Director for

ICT4D. The BISC could evolve into an Advisory Committee to IDRC Programs. The performance of the Regional Presences would be reviewed at the end of Phase 3 by IDRC but there is no reason to suppose *a priori* that their role would be changed in an involution scenario. IDRC might consider expanding the Regional Presence model.

The shape of the program of Bellanet would be determined primarily by IDRC in consultation with those donors who will contribute funds to Bellanet after March 2007. Bellanet is seen by ICT4D as providing a global focal point that complements its other regional programs. Both the knowledge sharing and ICT-based communities provide ICT4D with key skills with which to serve their networks and projects. That being said, there are uncertainties in what the future shape of Bellanet's activities will be in the involution scenario.

If Bellanet becomes an IDRC Program, its staff complement of eleven in Ottawa will be reduced to 2-4 people. Some of the Bellanet staff may be able to find positions elsewhere in IDRC than ICT4D so that the planned size of Bellanet itself does not mean that all other staff will be made redundant. Administrative, technical and other services will continue to be provided by IDRC and the Centre will continue to host Bellanet's servers.

IDRC expects to contribute to Bellanet as an IDRC Program about CAD\$550,000 per year for the three year period April 2007 – March 2010. There is an expectation but no commitment that the Bellanet activities would continue after 2010.

4: The Spin-Off Scenarios

In a spin-off scenario, the legal domicile of Bellanet does not have to be the same as the country in which the headquarters are located so there are a range of permutations between country of incorporation and country of operations. As a not-for-profit corporation, Bellanet would be incorporated as a *national* organization. Therefore to undertake international activities; make international currency transactions; and be able to employ non-national staff; in most countries Bellanet would need an agreement *to be recognized as an international organization within the host country*. Table 8 sets out the criteria to consider when selecting a host country. These include the host country environment, the available infrastructure, government regulations and economic incentives that might be offered to Bellanet to relocate there.

It is difficult to compare costs without knowing which countries are being considered because even in the South, the costs of operating Bellanet will vary greatly. A brave attempt has been made in Table 9 to see how the pattern of expenditures might differ, together with some rough estimates of what the comparable costs might be for Canada and a southern location (based on averaged costs across the Regional Presences and other available data for Nepal and Kenya). The costs for operating a headquarters of the same size (5 persons) with an internationally recruited Executive Director for the southern location are similar in Canada (CAD\$570,000) and the South (CAD\$525,000). Both are about 40% of the current core operating cost for Ottawa, mainly because the size of staff and the salary and benefits scales are both reduced in the model.

The spin-off scenario would entail Bellanet having its own governing body or Board of Directors which ideally would be international in character. BISC members would have to consider whether they should be members of an NGO Bellanet Board, which normally would be composed of individuals serving in their personal capacities rather than as donor agency representatives. An alternative might be to establish a parallel Donor Support Group to advise the organization but not play a decision-making role. In any case, the governance of a new NGO will demand more time of its Directors than does the BISC.

In the spin-off scenario, the strategic directions and program framework would be set by the Board in the light of donor priorities. Bellanet would likely have more independence to develop its own program directions than in the involution scenario. Support services, including hosting the servers, that are now provided by IDRC would mainly be outsourced to different providers.

Under the spin-off scenario, it is likely that many of the present staff would no longer be working for Bellanet. Whether Bellanet stays in Canada or moves elsewhere, it is expected to establish a salary and benefits scale that is below the current salary and benefits package provided by IDRC. The staff of an independent NGO will be smaller; some staff members are unable to relocate and other staff members prefer to stay with IDRC. A few staff members are keen to work for an independent Bellanet and are willing to accept lower salaries and relocate with Bellanet. It is not known if these people would be the ones that Bellanet most needs.

5: Transition Process

Under either scenario there will be a transition process that will involve making decisions about future funding; programs and staff assignments. The transition to the involution scenario is much simpler than that for the spin-off scenario, because Bellanet is already part of IDRC.

The process of setting up Bellanet to be an operational NGO, possibly in the South, within the 20 months between now and March 2007 is daunting. The actual incorporation is not the problem, but obtaining a host country agreement to be able to carry out an international mandate, is. Experience of other organizations has been that this process takes 2-3 years with persistence and local champions to keep the matter on the radar screens of the appropriate officials.

Bellanet will also need to set up systems before it can operate independently. These include everything from financial management and accounting systems, to bank accounts, purchasing new equipment, hiring new staff, finding new premises and actually relocating. The cost of setting up these systems is estimated to be CAD\$60,000-90,000 depending on location and how much international recruitment is involved. Donors will have to provide funds for these costs prior to April 2007 or any other start date for an operational and independent Bellanet. If it is decided to establish Bellanet in one country and then relocate at some subsequent date, many of these start-up costs would be duplicated.

The timeframe for the transition to a new status for Bellanet is short, especially if that status is to be an independent organization located in the South. This means that the BISC will need to make the decision soon, if it is not to jeopardize Bellanet's chances of future success.

6: Conclusions

Table 12 compares the main characteristics of the two scenarios: involution and spin-off. Both scenarios will see a downsizing of present staff; a change in program activities; and a likely continuation of the Regional Presences. IDRC has indicated that it hopes to support Bellanet under either scenario with approximately CAD\$550,000 per year for three years 2007-2010.

Before making a decision on Bellanet's future, the BISC donors may wish to consider their degree of commitment to Bellanet in the long term as well as for the three years beginning April 2007. Bellanet, as a new NGO, is likely to need the support of all of its founding donors for 5-10 years. If this is not on the cards, donors might wish to consider the alternative of funding an *existing* organization in the South to carry out the Bellanet program. If donors decide to create a new Bellanet organization, the next steps will include a narrowing down of the choice of countries for the headquarters; to agree on a transition process and timetable; and provide start-up funds before March 2007.

1. INTRODUCTION

Phase 3 of the Bellanet International Secretariat will end on 31 March 2007. The International Development Research Centre, which currently hosts the Bellanet Secretariat and provides it with a legal home as well as administrative and technical support, has indicated that the current arrangement will not be able to continue beyond this current Phase. Furthermore, as the Bellanet Secretariat has a projected financial deficit between now and March 2007, questions have been raised about whether the current scale of operations will be able to continue even until the end of Phase 3. It is in this context that the four core donors on the Bellanet International Steering Committee (BISC) – DANIDA, IDRC, SDC, and Sida – have asked that a report be prepared on the alternative future directions for Bellanet.

At its annual meeting 10-12 May 2005, the BISC considered six possible future organizational models for Bellanet. These were:

- Migration – hosted by another donor or southern organization
- Spin-off – establish a new legal entity (for profit or not-for-profit)
- Alliance – an alliance of small organizations working together
- Dispersion – parts of the Bellanet program moved to different organizations
- Involution – integration with IDRC Programs
- Merger – with another organization such as GKP

The BISC decided that only two of these options should be explored in more detail:

- Bellanet will become integrated into IDRC Programs (*Involution*)
- Bellanet will become a new legal entity (*Spin-off*)

Therefore this report develops scenarios for these two alternatives only. Both scenarios hold far reaching implications for Bellanet's programs, finances, organization, and staff. The starting point for examining alternative future paths is to look at how Bellanet is structured and operates today. That is the topic of section 2.

1.1. Terms of reference

The terms of reference for this study are to prepare a report by July 31 2005 for the consideration of the Bellanet International Steering Committee that will review the two scenarios presented to the BISC at its meeting on May 10-12 2005. The review should examine the programmatic role, financial implications, and future sustainability of Bellanet that are likely under the Involution and Spin-off scenarios.

The report should include consideration of:

- Bellanet's relationship to IDRC's strategic directions
- Current budget implications with reference to the timing of the transition and staff size
- Location of Bellanet headquarters
- Role of Bellanet Ottawa

- Role of Regional Presences
- Legal implications of both scenarios
- Bellanet staff viewpoint on the scenarios.

The consultants interviewed the members of the BISC, Bellanet staff, IDRC managers and staff, and other experts in order to obtain their views on the alternative scenarios and to obtain a clearer picture of what either scenario might mean for Bellanet. They also examined IDRC and Bellanet corporate documents, policy papers, financial and technical reports, and other documentary material to provide supporting evidence for their conclusions. The study was undertaken within a short time frame (July 2005) so that the BISC could consider this report at its next meeting in August 2005.

1.2. Historical background to Bellanet

Bellanet emerged from discussions held in the National Academy of Sciences in Washington DC in July 1992 and January 1993 on how donors might support scientific and engineering contributions to *Agenda 21* following the UN Conference on Environment and Development in 1992. A wide ranging consultation with donors that funded research for development revealed that donors wanted an ICT-based mechanism to further collaboration *across* the major groupings of donors (multilateral, bilateral, foundations and others). Thirteen donors subsequently met at the Rockefeller Foundation Study and Conference Center at Bellagio in November 1993 and again in September 1994. At this second meeting, they agreed to establish the collaborative mechanism and to call it *Bellanet*. The founding donors were the Rockefeller Foundation, the MacArthur Foundation, SAREC (Sida), the Netherlands Ministry of Foreign Affairs, UNDP, CIDA and IDRC. IDRC agreed to host the Secretariat in October 1994.

Bellanet has had three Phases:

<i>Phase 1</i>	<i>April 1995 - March 2000</i>
<i>Phase 2</i>	<i>April 2000 – March 2004</i>
<i>Phase 3</i>	<i>April 2004 – March 2007</i>

In the initial Phase, Bellanet focused on providing advice, technical assistance and capacity building support in ICTs for collaborative initiatives that were of interest to its donors. From this experience, Bellanet learned two principles that have guided its work to today:

- People and processes are key to the successful use of technology to support collaboration;
- Technologies for collaboration should be simple and accessible and therefore based on open technical standards.

In its second Phase, Bellanet made a strategic decision to focus more on knowledge sharing and the dynamics of mutual learning and collaboration and worked more directly with southern partners. It moved into areas such as training for knowledge sharing, workspace collaboration, open standards and knowledge management.

In Phase 3 Bellanet launched Bellanet South, with the establishment of Regional Presences in Latin America and the Caribbean, Asia and Africa through partnership arrangements with southern NGOs in Costa Rica, Nepal and Uganda. Its three main programs are Online

Communities, Knowledge Sharing and Open Development with four cross-cutting themes (gender equality, capacity development, monitoring and evaluation and communications).

Bellanet's mission has remained broadly the same since 1995 – to support effective collaboration in development - but the evolution in its wording has shifted the emphasis from supporting collaboration in development *programming* through the use of ICTs; to promoting and facilitating collaboration within the development *community*, especially [but not necessarily] through the use of ICTs.

1.3. Evolution of International Secretariats in IDRC

The International Secretariats at IDRC began in 1992 with the establishment of the Micronutrient Initiative (MI) and the Strategy for International Fisheries Research (SIFR). Bellanet came two years later, in 1994. Since the 1970s, as part of its own mandate from the Government of Canada, IDRC has sought to develop collaborative arrangements with development partners, and has been interested in experimenting with innovative approaches to development programming. The more immediate antecedent for the Secretariat modality in IDRC lay in the African Economic Research Consortium (AERC) which was established in 1987 as an NGO that evolved from an IDRC Network Project.

In 1992, the IDRC Board specified three conditions about the relationship of an International Secretariat to the Centre:

1. The Secretariat's operations would be generally subject to the Centre's administrative policies and practices;
2. All administrative costs were to be reimbursed by donor contributions to IDRC;
3. Objectives were to be closely linked to IDRC's existing programs.

IDRC Internal Audit uses six characteristics to define a Secretariat:

- Their operations are supported by IDRC but they are a distinct entity within the Centre
- They are active in a field relevant to IDRC's competence and programming;
- They are funded by one or more donors in addition to IDRC funds
- Their programs are governed by a Steering Committee
- They carry out the program of work approved by the Steering Committee
- They conduct their work over a fixed period of time.

In 1998 a wide-ranging review of IDRC Secretariats including Bellanet, showed that inadequate financial or human capacity to carry out the program of work of a Secretariat was the most frequent and most serious problem faced by IDRC and could lead to IDRC becoming the donor of last resort¹. In 1999 this led IDRC to prepare *Guidelines for Secretariats* and a *Strategic Framework for Secretariats* which are still in force today. Both documents discuss the role of the Steering Committee and the complex set of accountability relationships that exist between IDRC, the other donors funding the Secretariat, the Executive Director and the IDRC Board.

¹ Armstrong, J and A. Whyte, 1998, Learning Partnerships: A Review of IDRC Secretariats: The Governance Network

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In all, fifteen program initiatives in IDRC have been considered as “International Secretariats” although those that were formally approved by the Board of IDRC number only eight.² The other “Quasi-Secretariats” were approved as “special projects” by the IDRC Board. Eight Secretariats have been physically housed in IDRC headquarters in Ottawa and another six have been housed in IDRC Regional Offices. One Secretariat has been housed outside of IDRC premises but within IDRC’s legal entity. Table 1 provides a summary of the Secretariats established at IDRC and shows their current status.

Table 1 Secretariats in IDRC

year BEGAN	acronym	name	location	current status
1992	MI	Micronutrients Initiative	Ottawa/Delhi	Canadian NGO (Ottawa)
	SIFR	Strategy for International Fisheries Research	Ottawa	Closed
1993	WETV	Global Access Television Network	Ottawa	Canadian corporation
	EEPSEA	Economy and Environment Program for SE Asia	Singapore	Secretariat
	ATPS	African Technology Policy Secretariat	Nairobi	NGO in Kenya
	OCEEI	Office for Central and Eastern Europe Initiative	Ottawa	Closed 2004
1994	Bellonet	Bellonet Initiative	Ottawa	Secretariat
	RITC	Research for International Tobacco Control	Ottawa	Integrated into IDRC Program
1995	IMFNS	International Model Forest Network	Ottawa	Secretariat
	INBAR	International Network for Bamboo and Rattan	Delhi	IGO ³ (Beijing)
	EMS	Environmental Management Secretariat	Montevideo	Integrated into IDRC Program
1996	TIPS	Trade and Industry Secretariat	Cape Town	S. African NGO
	ADRF	Asia Development Research Forum	Singapore	Network hosted in Bangkok (TRF)
1997	SISERA	Secretariat for Institutional Support for Economic Research in Africa	Dakar	To be closed in March 2006
	FOODLINKS	Foodlinks	Ottawa	Closed 2003

It is clear that the Secretariats have followed several different evolutionary paths. This was always anticipated by IDRC which saw them as incubators to test the relevance, viability and sustainability of an innovative idea. Three have been spun-off to become separate legal entities as NGOs (one in Canada, one in Kenya and one in South Africa). One has become an International Intergovernmental Organization headquartered in China. One has become a

² MI, WETV, ATPS, Bellonet, IMFN, INBAR, SISERA and Foodlinks

³ International Intergovernmental Organization

Canadian corporation. One has become a network with headquarters hosted in Thailand. Two have become integrated into IDRC Programs and four have, or are being, closed. Three, including Bellanet, are still Secretariats.

The *policy* governing Secretariats at IDRC has remained the same except that the accountability framework now puts the reporting relationship between the Secretariat and the Vice President for Programs and Partnerships rather than with the President of IDRC. The Vice President is in a better position to consider the alignment of Secretariat programs with IDRC Programs.

The policy envisages that the timeframe for Secretariats should not remain open-ended and indefinite but that there should be a planned evolution (game-plan) for them. There is also a concern that IDRC's development effectiveness and management efficiency should be enhanced through cohesion across its programming – whether in Corporate Projects, Program Initiatives or Secretariats.

Another reality is that today IDRC is implementing many multi-funded projects and programs, some of which have international advisory committees, so that the somewhat unique character of the Secretariats as they appeared in the 1990s no longer holds. No new Secretariats have been created since 1997.

2. PRESENT SITUATION: BELLANET AS AN IDRC SECRETARIAT

2.1. Legal status

The current status of Bellanet is that as a Secretariat, it is legally part of IDRC. Its administrative procedures are those of IDRC and its staff members are either IDRC employees or consultants or they are seconded to IDRC. Bellanet's projects for third parties are carried out under contracts with IDRC. IDRC is accountable to the donors for the funds that they have contributed and is responsible for providing regular financial accounts to the Steering Committee as well as to individual donors. IDRC audits Bellanet's compliance with applicable financial, legal and administrative policies. The Centre is also responsible for ensuring that Bellanet is managed efficiently and effectively and that there are regular independent assessments of program results against recognised objectives. Bellanet is thus subject to IDRC's normal administrative policies and practices.

2.2. Governance and management

As head of Bellanet, the Executive Director (currently an Interim Director) reports to the IDRC Vice President for Program and Partnerships (often through the IDRC Representative on the BISC) on all administrative and staff matters but reports to the Steering Committee of donors (BISC) for Bellanet's program. The *Strategic Framework for IDRC Secretariats* provides the following *Terms of Reference* for the BISC:

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1. To approve the Program of Work and Budget.
2. To establish program policies, strategies and priorities.
3. To evaluate the program accomplishments of the Secretariats against established benchmarks.
4. To encourage the involvement of other donors as required.
5. To review and accept the statements of account.
6. To recommend the hiring of an Executive Director by IDRC.
7. To supervise the Executive Director in the program area, and in co-operation with IDRC in such other matters as may directly affect program performance by the Secretariat.
8. To establish an assessment process for the Executive Director in co-operation with IDRC.

Thus accountability for program directions, budget allocations and monitoring is shared amongst all members of the BISC. Originally only the core donors were members of the BISC. Since the establishment of Bellanet South, the heads of the three southern institutions that are hosting Bellanet's Regional Presences have been invited to serve on the BISC.

The management of Bellanet has also evolved with the Bellanet South Coordinator based in Costa Rica joining the Management Team that consists of the Interim Director, the Program Coordinator and the Secretariat Coordinator (all based in Ottawa).

2.3. Regional Presences

In Phase 3, Bellanet has instituted three⁴ regional presences collectively called *Bellanet South* through a series of agreements with local organizations that also provide for staff to be seconded to Bellanet. The advantages of decentralization to the south are seen as:

- More direct engagement with Bellanet's partners in the regions
- Building local strengths and capacities, and providing locally-specific solutions
- Fostering South-South collaboration and learning

There are two types of agreement between IDRC/Bellanet and the regional partners:

- A general framework Memorandum of Understanding (MoU)
- A specific secondment agreement relating to individuals seconded to IDRC/Bellanet.

The MoUs were concluded in 2004 and run until 31 March 2007. For each seconded member of staff, there is a second agreement between the regional organization and IDRC/Bellanet. Under the agreement, the secondee remains an employee of the regional partner and IDRC reimburses the organization for salary and benefits, travel, equipment etc. The workplace and policies of the

⁴ This is expected to increase to four with the arrangement being negotiated with UN-ECA to place a Bellanet staff person in Addis Ababa for two years.

host institution apply. The secondees report to both their home institution and to Bellanet through either the Southern Coordinator or the Programme Coordinator. The MoUs and the secondment arrangements may be terminated on one month's written notice by either party to the other.

The MoUs currently in force are with:

- Fundación Acceso, Costa Rica
- SAP-International, Nepal
- AITEC-Uganda

Fundación Acceso and SAP-International are NGOs. AITEC-Uganda is presently a for-profit organization that is seeking to become a non-profit one in Uganda.

2.4. Program

The Phase 3 Strategic Plan was approved by the International Steering Committee in May 2003. It focuses on three strategic areas:

- Online Communities for effective international development through use of ICTs
- Exploring opportunities in Open Source and Open Standards for development
- Fostering better information and knowledge sharing in the development community.

These program areas represent three points on the *people – processes - ICT technology for development* continuum that is seen as the unique niche and comparative advantage of Bellanet. One of the challenges facing Bellanet in any future scenario is how to maintain innovation and competitiveness in all three program areas in the context of reduced staff and/or more dispersed staff. The question being posed is – can the very characteristics that make Bellanet stand out from the rest of the crowd be preserved under either of the two alternatives being considered?

2.5. Staff resources

There are currently 10 staff members in Ottawa who are employees of IDRC. This includes the Interim Director, the Program Coordinator and two administrative staff; four technical staff composing the “Technical Team” and two program officers in the “Program Team”. In addition, one of the Ottawa Program Team members is presently based in Brussels on a special arrangement.

The Regional staff members includes three Program Officers in Costa Rica who are employees of Fundación Acceso; two Program Officers and one Technical Officer in Nepal working with SAP-International and one Program Officer working with AITEC-Uganda.

Thus there are eleven staff members in the North working as employees of IDRC and seven in the South under secondment to IDRC. It is anticipated that one of the Ottawa based officers will soon move to ECA in Addis Ababa as a second African presence for Bellanet and that a second Program Officer will be seconded to Bellanet in Uganda.

2.6. Support services

IDRC provides support to Bellanet to meet its financial, administrative, personnel and legal needs. Table 2 provides a list of the support services provided by IDRC – some are included in the overhead charge on other donors' contributions to Bellanet and others are charged on a per usage basis. This table is also relevant when considering future alternatives because it summarises the services that Bellanet requires and will need to obtain – either within its own organizational resources, or from an alternative host organization or through outsourcing to commercial providers.

Table 2 Support services provided by IDRC to Bellanet as a Secretariat

	SERVICE
BASIC SERVICES INCLUDED IN IDRC OVERHEAD CHARGE TO BELLANET	<ul style="list-style-type: none"> ○ Financial management, budget preparation and reporting, cash flow management ○ Accounting services, accounts payable services, cashier services, payroll services ○ Use of existing administrative support services ○ Basic legal services (e.g. local employment contracts) ○ Contract administration (with sponsors and recipients) ○ Records management (financial and operational) ○ Communications and mail (access to fax and phone systems, local calling) ○ Routine office supplies ○ Purchasing services ○ Office and furniture maintenance ○ Human resource management services ○ Support of the travel and conference office (e.g. for staff and Board members) ○ Use of conference facilities ○ Use of health services and sports/ fitness facilities ○ Technical support for information technology ○ Access to the LAN, electronic mail, microcomputer maintenance support ○ Basic Library privileges ○ Property management ○ Insurance
SERVICES CHARGED DIRECTLY TO BELLANET (NOT INCLUDED IN OVERHEAD)	<ul style="list-style-type: none"> ○ Rent (per area actually used) ○ Specified LAN user charges ○ 'Outside' organization staff salaries and benefits ○ Telecommunications (long distance phone and fax charges) ○ Purchase of furniture and computers where necessary ○ Photocopying ○ Non-standard or large requests for office supplies ○ Specially-assigned administrative support staff ○ Special Library and Reference services ○ Special training (e.g. advanced computer and language training) ○ Special legal services

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A review undertaken in 2001 of IDRC's partnerships with other donors showed that although the Centre generally charged 10% overhead on other donor contributions for the support services it provides, the actual cost to IDRC of providing those services was somewhere between 15-20% of the donor contributions. Donors interviewed for the review agreed that IDRC service support costs were "good value". It is reasonable to assume that the costs represent fair value for comparing what Bellanet will have to pay to obtain similar levels of service from other service providers.

Interviews with IDRC managers indicated that Bellanet is a "heavy user" of the legal and administrative services because it engaged in a large number of contractual relationships, many of which could involve liability issues for IDRC/Bellanet. On the other hand, Bellanet is a "light user" of ICT support services because it has its own ICT technical staff. IDRC also houses Bellanet's servers in a building that provides a very high quality broadband connection. Bellanet's current usage of IDRC services is significant for assessing what the costs of serving Bellanet might be if it became an independent "spin-off" organization.

2.7. Finances

Table 3 provides a summary of the income and expenditures for fiscal year 2005-2006. It shows that the four core donors provide a total of CAD\$1,198,222 to which is added an income of CAD\$577,985 from projects and services provided by Bellanet. The full daily salary costs of staff working on contract services are not recovered so that core funding is subsidizing contract work. This implies that Bellanet needs to charge more for its services or that its daily contract staff costs need to be reduced; or that for some clients, the contracts are seen as development assistance.

The total income for 2005-06 is budgeted at **CAD\$1,174,928**. The budgeted expenses are **CAD\$1,876,692**. Without savings or additional revenue, Bellanet will have a deficit of CAD\$225,943 by the end of this fiscal year, and a deficit of CAD\$927,707 by March 2007 at the end of Phase 3. CIDA unexpectedly withdrew support as of April 1 2005. CIDA's contribution would have reduced Bellanet's projected deficit by CAD\$420,000. Savings planned for operational expenses for the rest of Phase 3 should reduce the deficit to approximately CAD\$492,834 by March 2007. It is also expected that Bellanet will generate additional contract revenue in the remainder of Phase 3.

Table 3 Income and expenses for Bellanet April 2005-March 2006

income		expenses	
Danida	\$198,057	Program costs	\$921,382
IDRC	\$517,928	Management costs	\$216,657
SDC	\$237,000	Administration	\$202,545
Sida	\$233,294	Regional presences	\$374,695
Projects and services	\$577,985	Projects and services	\$274,928
TOTAL	\$1,764,264	TOTAL	\$1,990,207

FUTURE DIRECTIONS FOR BELLANET

Table 4 provides a more detailed breakdown of the expenditures for the fiscal year 2005-2006. If the cost of providing project and technical services from Ottawa and the regions is taken out of the calculation, it shows that the core operating costs of Bellanet are CAD\$1,607,348 which is CAD\$409,126 more than the funds coming from the four core donors and just CAD\$168,859 under the total income budgeted for the year. Thus the budgeted core operating costs account for 90% of Bellanet's income.

**Table 4 Operating and program costs for Bellanet
April 2005-March 2006 Budget**

OTTAWA	CAD	Percent of core operating costs
Staff Costs ⁵	\$ 943,039	59%
Professional Services	\$ 20,000	1%
Travel & Conferences	\$ 160,000	10%
Office rent	\$ 78,000	5%
Communications	\$ 15,000	1%
Marketing	\$ 15,000	1%
Equipment & software	\$ 32,000	2%
IDRC Support Services	\$ 77,545	5%
Operating costs: Ottawa	\$ 1,340,584	83%
REGIONAL PRESENCES		
Staff Costs ⁶	\$ 165,725	10%
Travel	\$ 59,705	4%
Communications	\$ 15,000	1%
Host Institutions Overhead	\$ 26,334	2%
Operating costs: Regions	\$ 266,764	17%
TOTAL OPERATING COSTS	\$1,607,348	100%
PROGRAM ACTIVITIES		
Projects & Services: Ottawa	\$ 274,928	
Program & Technical services in regions	\$ 107,931	
TOTAL PROGRAM COSTS		
TOTAL EXPENDITURES	\$ 1,990,207	

⁵ Includes salaries and benefits, staff training and professional membership fees

⁶ Includes salaries and benefits

The Ottawa headquarters accounts for 83% of the core operating costs, with the largest single budget item being staff costs (59% of total core operating costs). Staff travel including participation in conferences accounts for 10%; IDRC support services for 5%; and office rent for 5%. All the other expenses in Ottawa account for only 5% of the total core operating costs. Thus the most effective way to reduce operating costs for Bellanet is to reduce the number of staff based in the Ottawa headquarters. Even halving other costs will not change the budget that much, although management is making savings this year in a number of areas.

In contrast, the regional presences account for only 17% of the core operating costs. The largest single budget item is staff costs at 10%. Regional host institution overhead is only 2% of the total operating costs but the overhead rate is similar to that of IDRC (10%) and many of the support services for the whole Secretariat including the regional presences is provided by IDRC.

The overall message is that Bellanet is not strong financially. Management is trying to reduce costs and the staff is trying to find additional contract income. IDRC has indicated that it will not be able to cover the deficit and act as the donor of last resort.

2.8. Views of Bellanet as a Secretariat

In the interviews with Bellanet staff and with the members of the BISC and IDRC management we asked about the strengths and weaknesses of Bellanet as it is today. The results are given in Table 4. These are relevant to assessing how Bellanet will be able to cope with a change in its status - where it will be able to seize opportunities and build on its strengths and where it is more vulnerable.

The picture that emerges is that Bellanet's strength has been its ability to position its work at the interface of people-processes-technology. It is seen as a leader in this integrated approach to development, perhaps more so in the past than now, with a strong brand backed by competent staff and a credible host organization. Bellanet is valued for its independence to be a neutral player that is able to engage at the global level. It is seen as facing increasing competition from other organizations in the north and the south for the services that it offers. Although no other single organization can match its particular combination of program strengths, other competitors can match its services and possibly undercut its prices for some services. Internally Bellanet is on a steep learning curve for how to manage a decentralized organization and to work effectively and collaboratively across the regions. More immediately, it is weakened by inadequate finances to carry out its program and the uncertainty surrounding its future.

Table 5 Views of the strengths and weaknesses of Bellanet as a Secretariat

STRENGTHS	
INTERNAL VIEW⁷	EXTERNAL VIEW
<ul style="list-style-type: none"> ○ Holistic approach to people-processes-technology in development ○ Flexible, innovative and experimental ○ Intellectual capital of staff team ○ Not too much bureaucracy ○ Regional presences are strength ○ Program staff is strong ○ Active and knowledgeable Steering Committee ○ Committed core donors ○ Mutual respect and learning between Ottawa and regional staff ○ Still has innovation as comparative advantage ○ There is increasing competition within each program area but not for the B. niche where all three intersect 	<ul style="list-style-type: none"> ○ B. niche is focus on development ○ Linkage of process/ people/ technology is reason for B's success ○ Its association with IDRC ○ Has independence to be a neutral player ○ Able to engage at global level ○ Its skills are important to IDRC ○ Technical team is at the cutting edge ○ KS is one of B's strengths and its niche ○ B does substantive work on KS ○ Alliances with southern partners ○ B is well managed ○ B has low administrative costs ○ B is a recognised leader in KS ○ Started DGroups

weaknesses/challenges	
INTERNAL VIEW	EXTERNAL VIEW
<ul style="list-style-type: none"> ○ B. is not as unique as it once was ○ B. sometimes playing just an advocacy role for Open Source ○ We can't explain ourselves to outsiders ○ No common understanding of our mandate ○ Communications between offices is a problem ○ Coordination between Ottawa and Regional Presences is challenging ○ South-south knowledge sharing still weak <i>within</i> B ○ KS is not at cutting edge now as before ○ Finances are weak ○ Ottawa always trying to raise contract funds ○ Not enough cross-regional programming ○ Not made leap to a global organization ○ Regional staff have to wear two hats ○ IDRC bureaucracy 	<ul style="list-style-type: none"> ○ More competitors with DGroups than when Bellanet started them ○ KM/KS is very crowded field today ○ Some of B's former clients are developing KM tools in-house ○ B. is not a market leader in Open Software – many groups helping NGOs ○ B. less creative than in early days ○ B. has kept too isolated from IDRC Programs ○ B. brand not as strong as it used to be ○ Services it offers will soon be provided at less cost in the South ○ Not enough focus on the rural poor ○ Should be doing more capacity building in the South ○ B. is marginal financially ○ Difficult to maintain cohesion with decentralized staff

⁷ Internal view is based on interviews with Bellanet staff in Ottawa and the Regional Presences
 External view is based on interviews with IDRC management and members of the BISC

3. THE INVOLUTION SCENARIO: BELLANET AS AN IDRC PROGRAM

3.1. Legal status

As an IDRC Program⁸, Bellanet would not change its legal status for it is already part of IDRC. The current situation with respect to Bellanet's intellectual property rights and contractual relations would continue unchanged. Bellanet's logo and any trademarks that are registered in its name would not be affected. Bellanet could retain its own brand and identity as a corporate program of IDRC.

3.2. Governance and management

The governance of Bellanet would change. Currently, the Executive Director reports to IDRC on administrative and policy matters and to the Steering Committee on program and resource allocation matters. As an IDRC Program, the reporting lines are internal to IDRC. The Executive Director would report to the Director for ICT4D. The position would be renamed Program Manager for Bellanet but would be at a similar classification level to that of Executive Director. The Program Manager would be part of the ICT4D Management Team.

The role and name of the BISC would change. Subject to IDRC Senior Management's approval, it could become an International Advisory Committee and its mandate would be to *advise* the Director of ICT4D and the Bellanet Program Manager. It could be composed of the current BISC membership or it could be changed to meet the needs of the Program. Presumably its membership would reflect the core donors who continue to support Bellanet, plus any new core donors, who wish to be involved in a program advisory role. IDRC would continue to provide regular technical and financial reports to donors individually on their contributions to the program. IDRC would also provide monitoring and evaluation information to other donors as agreed in the partnership agreements between them.

Other Programs in IDRC have international advisory committees that include donors, regional partners and other experts as appropriate. They meet as often as the needs of the Program dictate. Another Secretariat that has recently been transformed into an IDRC Corporate Project, *Research for International Tobacco Control (RITC)* has successfully evolved its Steering Committee into an International Advisory Committee with new terms of reference.

The current management structure within Bellanet would probably become flattened with the Program Manager acting as the team leader and other staff comprising the team. The position of the Southern Coordinator is already being evaluated so its future is uncertain.

⁸ IDRC Program is used in a generic sense to mean that Bellanet would be integrated into IDRC Programs. IDRC may decide that Bellanet would be a corporate project, or a new Program Initiative (PI) or be integrated with existing PIs.

3.3. Regional Presences

IDRC considers that the approach adopted by Bellanet to establish Regional Presences is innovative and appears to be cost-effective. It also has the advantage of strengthening the capacities of the host institutions for the Regional Presences in addition to the staff who are seconded to IDRC. This means that the current arrangements for Regional Presences meet IDRC's larger objectives for building individual and institutional capacities in the south. If Bellanet becomes an IDRC Program, the management of ICT4D would review the current arrangements with each host institution for the Regional Presences to determine if both parties wish the arrangement to continue, and on what terms. IDRC might also consider expanding the model for Regional Presences to other host institutions in the south, partly depending on the availability of funds from other core donors.

In any event, IDRC would not consider moving any of the Ottawa-based staff of Bellanet to its own Regional Offices in the short term as the cost would be prohibitive, especially in the light of the existing arrangements for seconded staff in the regions.

3.4. Program

The shape of the program of Bellanet as an IDRC Program would be determined primarily by IDRC and secondly by the donors who contribute core funds to Bellanet after March 2007. One of the issues that led IDRC to "give notice" that Bellanet cannot continue as a Secretariat has been its increasing divergence from IDRC Programs. One concern is with operating style. Bellanet is seen as more like a technical assistance agency than the rest of IDRC which makes it appear as somewhat marginal to IDRC's mandate to support *research* for development. At the same time, Bellanet plays a key technical support role to many IDRC research networks in the south. Another view is that, while Bellanet has recognised skills in the area of knowledge management and recognised products such as DGroups, the time may have come to devolve them to the south and thus build southern capacities more directly. This is an issue that all the donors may have to confront.

The ICT4D Management Team has considered the options for Bellanet. If the BISC decide on the involution model, it is likely that Bellanet would maintain its focus on both knowledge sharing and ICT-based communities. This is because Bellanet would provide ICT4D with key skills in knowledge sharing that would add value to many projects currently supported by IDRC and other donors. Currently ICT4D programs are highly regionalized so that Bellanet would add a complementary global focal point. It is also anticipated that part of Bellanet's work would be more closely integrated into ICT4D's regional programs. ICT4D aims to remain on the cutting edge of innovative technologies for organizational development, including networking⁹.

There are clear complementarities between Bellanet's strengths and those of ICT4D which ideally would result in both being strengthened in the involution scenario. ICT4D have said that if Bellanet became an IDRC Program each of the current program areas and activities would be carefully reviewed on its merit through the lens of IDRC program fit. For their part, Bellanet staff has expressed concerns that this would result in the knowledge sharing component (particularly facilitation not based on ICTs) being reduced or eliminated, so jeopardizing the

⁹ The Sandbox facility housed in Bellanet and supported by ICT4D is one example of this.

program core that made Bellanet innovative in the past and unique today. Thus, there are uncertainties about the program under the involution scenario that will likely not be resolved until after the BISC has taken the decision on the future path and ICT4D has had the opportunity to work with Bellanet staff to draw up a Program Prospectus for the approval of the IDRC Board.

3.5. Staff resources

If Bellanet becomes part of IDRC Programs, it is expected that the staff complement of eleven in Ottawa will be reduced. Some positions, such as the Secretariat Coordinator, the Communications Officer and the Server Administrator may be able to be absorbed into other parts of IDRC, depending on what opportunities become available over the next nineteen months. Staff in these positions may take up new appointments at any time over this transition period, which may be prior to March 2007. Otherwise these staff members may be made redundant at the end of Phase 3.

The expected number of Program staff that would be continued in Ottawa is somewhere between 2-4 depending on the number of donors contributing and the size of the Bellanet budget. One of these positions would be the Program Manager. Since the current Program Coordinator is expected to be relocated in ECA for a two year period, this would mean that of the current Program and Technical staff complement of **seven** persons, three to four would probably join the ICT4D program staff and three to four would be made redundant. These staffing decisions would be made by IDRC on the basis of the program priorities agreed between the contributing donors.

3.6. Support services

Administrative, research, legal and technical support services will be provided by IDRC in the same way that they are for all programs. Bellanet would have the advantage of continuity in its providers of support services who know Bellanet's needs well. IDRC would also continue to host the servers that provide the support for Bellanet's DGroups and other online communities and services.

3.7. Finances

Subject to IDRC Senior Management's approval, Bellanet is expected to have a budget of the order of CAD\$550,000 per year for the period April 2007-March 2010 from IDRC. IDRC would hope that other donors will join it in supporting Bellanet. Other donor contributions would be administered under similar contractual arrangements and partnership agreements as they are to Bellanet as a Secretariat. IDRC will charge an overhead for its support services (currently at 10%) plus a share of the additional operational expenses that are charged on a usage basis, according to a schedule similar to that shown in Table 2. Donor agencies will receive regular financial reports and their resources will be allocated according to their agreements with IDRC.

In the involution scenario, IDRC absorbs cost overruns and assumes financial risk for Bellanet as a Program. There is also an assumption that at least some Bellanet activities would likely continue after 2010, assuming that they still fall within IDRC program priorities and that they have performed satisfactorily.

3.8. Views of Bellanet as an IDRC Program

In individual interviews with staff, their views were sought on each of the alternative scenarios for Bellanet's future. The view that emerges for the involution scenario is that it is the alternative that presents the most continuity and long term sustainability for the programs and the staff. Some staff members also see benefits for Bellanet's programming from closer integration with IDRC, while others fear that the knowledge sharing program would be compromised. The greatest concern of those staff that prefers the spin-off option is that Bellanet would lose its independence, team spirit and identity if it becomes an IDRC Program.

Table 6 Staff views on the involution scenario

POSITIVE ASPECTS	NEGATIVE ASPECTS
<ul style="list-style-type: none"> ○ Is the most viable alternative ○ Provides long term sustainability ○ IDRC name is very important ○ Job security for some staff ○ IDRC funding assured ○ More stability/less change ○ Less complicated transition ○ Opportunity to reinvent Bellanet ○ Can benefit from closer integration with ENRM, SEP¹⁰ program areas ○ KS can influence IDRC programs ○ Able to tap into IDRC networks ○ Innovation on technical side will be strengthened 	<ul style="list-style-type: none"> ○ KS program would be compromised ○ Risk of losing Bellanet branding ○ Less flexibility to be experimental/innovative ○ Will reduce our team spirit ○ Uncertain future for regional presences ○ More IDRC red tape

4. THE SPIN-OFF SCENARIOS

4.1. The range of alternatives

The spin-off scenario if Bellanet is made into an independent legal entity is more complex and has greater uncertainty attached to it. There are in theory a wide range of organizational options because the legal domicile of the organization does not have to be the same as the operational one. The BISC has not offered any guidance on which countries it wishes to see Bellanet operate from so that the discussion can only be one of principle rather than the specific pros and cons of individual countries as potential hosts for Bellanet.

¹⁰ ENRM is Environment and Natural Resources Management Program Area; SEP is Social and Economic Policy Program Area.

Table 7 shows the options available to Bellanet as a spin-off organization. Each of these paths has been followed by other IDRC Secretariats, but some are much more difficult than others to achieve. For example, in Table 7 the option of creating an international organization has been shaded out because the challenge of finding several countries that will sponsor Bellanet and reach agreement between them to establish its operations in one host country is unlikely to be achieved. Negotiations are long and arduous with a low probability of success partly because of the nature of the services that Bellanet provides and because Bellanet has not so far engaged directly with national governments to find any champions for its cause.

The two other legal options available to Bellanet are to incorporate as a not-for-profit organization that can implement its international mandate, or to continue as an unincorporated Secretariat or Program. These are shown as columns in Table 7. For each of these legal options, Bellanet could locate its headquarters in the North or in the South. For simplicity's sake, only two alternatives are shown in each hemisphere: Canada or elsewhere in the North; in one of the three Regional Presences or elsewhere in the South.

The key determinant that should guide the BISC is to find a combination of legal status and geographic location that will *allow Bellanet to pursue its international activities* (section 4.2). This is less easy than it might appear. Next, determining which facilities Bellanet needs from its host country have most priority will identify a smaller set of suitable locations (section 4.3). Within the sub-set of suitable locations, one important criterion will be that of cost (section 4.4).

Table 7 Alternatives to involution

location options		LEGAL OPTIONS		
		Incorporate as not-for-profit organization able to implement international mandate " <i>spin-off option</i> "	Migrate as Secretariat to organization with an international mandate " <i>migration option</i> "	Create a new international organization
NORTH	Remain in Canada			
	Move to another country in North			
SOUTH	Move to one of Bellanet Regional Presences			
	Move to another country in South			

4.2 Legal considerations

The main legal option that the BISC has considered is to create a not-for-profit organization within one country. In most cases, and certainly in most countries in the North, this process is

inexpensive and relatively fast and easy to do. The more important question is what the national not-for-profit is allowed to do in terms of international activities and international transfers.

Most national legislation for not-for-profits assumes that they will have a *national* mandate rather than international one. For national organizations, countries may impose restrictions on convertible currency, on the employment status of non-nationals, on visa requirements, on the grants they receive from foreign sources and on which nationalities can sit on the governing body. For example, if Bellanet could not transfer funds in convertible currency from its headquarters to regional presences and projects in other countries rapidly and at low cost, it will not be able to operate effectively.

It is for this reason that most organizations with international mandates that establish themselves as not-for-profit national bodies, **also seek to obtain a host country agreement that recognizes and treats them as international organizations within the host country.** For example, the African Technology Policy Studies Network (ATPS) registered as a not-for-profit corporation in Kenya in 2001 and in December 2003 it obtained an agreement with the Government of Kenya that recognized it as an international organization in Kenya.

Similarly, for organizations which are legally incorporated in one country, and decide to locate their headquarters in another country, they need to seek permission from the host country government to operate internationally. For example, the African Economic Research Consortium (AERC) which is incorporated in the State of Delaware, USA, has been operating from its headquarters in Kenya since 1988. First it was housed within the Rockefeller Foundation Regional Office in Nairobi as a Secretariat/RF program. The Executive Director was hired as a consultant to the Foundation and Rockefeller staff provided administrative support.

In 1991 after years of trying, AERC, still incorporated in the USA, was recognized by the Kenyan Government, as an international organization based in Nairobi. The agreement enabled AERC to hire non-Kenyan staff and was granted tax exemptions and other facilities to allow it to operate internationally. Another example is that of the Earth Council, which is incorporated in Canada but has its headquarters in Costa Rica, and is recognized by the Costa Rican Government as an international organization with various rights and privileges.

These examples attest to the difficulty of obtaining international recognition from host country governments for both national not-for-profit organizations and for organizations that are incorporated elsewhere. The process takes time, perseverance and local champions that are well placed to influence government decision-making and to make it move less slowly than it otherwise would. This time gap between when an application is made for recognition and when the organization can finally operate internationally can take several years in the best of circumstances. In the meantime, Bellanet would need to find an interim *modus operandi*, either operating in a temporary location such as Canada, or operating as a secretariat from within an organization that already has an international mandate.

Although our terms of reference asked us to analyse only two scenarios: the involution and the independent spin-off, we would suggest that the BISC reconsider a third option - that of *migrating* Bellanet as a Secretariat or Program to another host organization that can provide a legal umbrella for Bellanet to carry out its international mandate.

The reasons for this recommendation are: (a) Given the realities of how difficult and long it takes to obtain a host country agreement for a nationally incorporated NGO, migrating Bellanet to an *existing* southern organization may be the best way to move Bellanet headquarters to the South

and be operational within the next two years; (b) it strengthens existing southern organizations rather than creating donor-dependent new organizations; and (c) by avoiding start-up and longer term operational costs, it probably reduces the costs of delivering the donor-funded programs and activities.

4.3 Criteria for selecting a host country

Table 8 sets out the main criteria for consideration in the selection of a host country for Bellanet.

Table 8 Criteria for selecting a host country for Bellanet

	CRITERIA
AVAILABLE INFRASTRUCTURE AND HOST COUNTRY ENVIRONMENT	<ul style="list-style-type: none"> ○ Host country shares BELLANET's values regarding development, human rights and civil liberties ○ Presence of other like-minded, international governmental and non-governmental organizations in host city ○ Host city is a central meeting and transit location to which people important to BELLANET normally travel or pass through ○ Adequacy of transportation facilities, including major airport with frequent international flights ○ Ease of obtaining visas, including en route transit visas, for visitors of all nationalities ○ Presence or absence of exchange controls for international money transfers ○ Access to, cost, and reliability of, information and communications infrastructure ○ Availability of qualified human resources for potential BELLANET staff ○ Housing availability and housing costs for BELLANET staff ○ Adequacy and cost of education facilities for BELLANET staff families ○ Flexibility of national employment policies for hiring non-national staff ○ Ease of obtaining work permits for BELLANET staff of different nationalities and their spouses ○ General quality of life for BELLANET staff members and their families ○ General cost of living, salary levels and costs of employment benefits
OTHER PLUS FACTORS	<ul style="list-style-type: none"> ○ Possibility for co-location with another organization interested in BELLANET's mission ○ Respect for BELLANET's independence by not requiring host-country nationals to be appointed to the staff or to the governing body ○ Governmental and other assistance to BELLANET in fundraising efforts
ECONOMIC AND OTHER INCENTIVES	<ul style="list-style-type: none"> ○ Offer of rent-free office space, and for how long ○ Possible tax and custom duty exemptions for BELLANET and/or its staff ○ Possible diplomatic privileges and immunities ○ Offer of relocation support (subsidy) for BELLANET secretariat ○ Offer of direct annual grant for BELLANET core operations and/or programs

The host country environment in terms of civil liberties, personal security and general quality of life for staff is clearly one set of criteria. Another set of criteria relates to the infrastructure that Bellanet needs to operate such as access to, cost and reliability of telecommunications and the adequacy of transportation facilities for staff to travel to other countries.

The government environment is also important as it determines the flexibility of national employment policies that will influence for example, whether Bellanet can have non-nationals on its staff, and whether staff can be hired on limited term contracts without open-ended commitments to them. Bellanet is likely to need both types of flexibility. Similarly, the governmental regulatory regime will determine the ease of obtaining visas for nationals of most countries and work permits for staff of different nationalities and their spouses, as well as the presence or absence of exchange controls for money transfers. The availability of enough qualified local staff in the areas that Bellanet needs is another consideration. In some situations, this can be a limiting factor.

What it will cost to operate Bellanet in any location will play a major part in the calculation. Many of the factors in Table 8 influence costs either directly or indirectly. For example, where local salaries and other costs are high, Bellanet's costs will be higher. There can also be situations where costs are generally low but other factors such as personal security mean salaries and benefits need to be increased to attract and retain qualified staff.

For those countries that can provide a suitable basic infrastructure and host country environment, Bellanet should determine whether the government will provide any tax or customs duty exemptions for Bellanet to allow it to import equipment without heavy penalties. Some not-for-profit organizations have been able to obtain diplomatic privileges and immunities and tax free status for non-national employees which in turn can lower the cost of the total salary and benefit package. In other cases, governments have offered economic incentives such as offers of rent-free space for a period and even grants to subsidize core operations and programs.

One criterion that is missing from Table 8 is that of having a local champion who can help Bellanet to negotiate with the host country government; and/or an organization that can provide Bellanet with a temporary home while negotiations are ongoing during any transition process. Needless to say, either support is invaluable to establishing Bellanet in a new country.

Finally, the search for a host country should be a careful and systematic one. In addition to finding out from other organizations what their experience has been, it may involve visits to different cities to discuss and negotiate with local officials.

4.4 Comparing costs in the North and South

Given the huge variation in the costs of operating in different countries around the world, it will not be possible to determine the costs of relocating Bellanet until the BISC narrows the search to a few countries. In addition to large differences in salary costs in different parts of the world, including between different countries in the South, other costs can vary enormously. For example, the annual cost of providing access to T1 broadband for IDRC Regional Offices varies greatly from city to city: Cairo - \$13,000; Montevideo - \$18,000; Singapore - \$30,000; Dakar - \$40,000; Delhi - \$60,000; and Nairobi - \$130,000 (using a VSAT hook-up as T1 broadband is not available).

FUTURE DIRECTIONS FOR BELLANET

Table 9 is a first attempt at comparing costs in the North and South. The costs in the North are based on operating costs for a small NGO based in Canada, together with Bellanet's current costs for services and travel etc. as shown in Table 4.

Table 9 Comparison of costs in the North and South

	Canada Location		Location in South	
		% of Total Operations Cost		% of Total Operations Cost
HEADQUARTERS OPERATIONS	CAD \$		CAD \$	
Director	90,000	11%	150,000	19%
2 Program Staff	140,000	17%	60,000	8%
Office Manager	60,000	7%	20,000	3%
Research/Communications Assistant	50,000	6%	20,000	3%
Professional Services	20,000	2%	20,000	3%
Travel & Conferences	50,000	6%	70,000	9%
Office rent	50,000	6%	50,000	6%
Communications	15,000	2%	30,000	4%
Marketing	15,000	2%	15,000	2%
Equipment & software	20,000	2%	30,000	4%
Administration (outsourcing etc)	60,000	7%	60,000	8%
Sub-total	570,000	68%	525,000	66%
REGIONAL PRESENCE OPERATIONS				
Staff Costs	165,725	20%	165,725	21%
Travel	59,705	7%	59,705	8%
Communications	15,000	2%	15,000	2%
Host Institutions Overhead	26,334	3%	26,334	3%
				0%
Sub-total	266,764	32%	266,764	34%
TOTAL OPERATIONS COST	836,764	100%	791,764	100%

Canada is probably one of the less expensive locations in the North and the uncertainties attached to the costs are less than for the Southern location. The costs for the South are based on some more heroic assumptions including the current costs for the three Regional Presences averaged across them, together with costs based on recent comparator cost studies for NGO and other organizations in Nairobi and Kathmandu. Average costs in Latin America would probably be higher than those in Table 9.

For comparison purposes, we have assumed that an independent Bellanet NGO would need at a minimum the following five staff members in its headquarters wherever it is located:

FUTURE DIRECTIONS FOR BELLANET

Executive Director
2 Program/Technical Officers
Office manager/Administrator
Communications/ Research Officer

For the Canadian location, we have assumed that the Executive Director and other staff would receive salary and benefits on an NGO scale that is lower than the comparable classification levels in IDRC. For the Southern location, we have assumed that the Executive Director would be hired at as an international appointment, whether the individual is from the North or the South. This is the practice with other similar NGOs operating an international mandate. The salary and benefits package would be lower than UN or similar levels and would be based on comparator studies for international NGOs in each location being considered.

Our view is that the leadership of Bellanet must be in the hands of a dynamic, entrepreneurial and highly qualified professional with experience in program development, management and fund-raising. Such an individual will require a competitive salary and benefits package if Bellanet is first to attract him or her, and secondly retain the individual for the crucial first three years. The salary and benefits packages for the other staff are averaged national or regional scales based on the Regional Presences.

We have had to make some assumptions for the other costs which would need to be refined for any particular location. Compared to Canada, we have assumed that costs will be *more* in the South for travel, communications and equipment, and for the Executive Director. We have assumed that costs will be *less* in the South for salaries and benefits for other staff.

Costs that remain *about the same* in both locations in our model are professional services, office rent, marketing and administration. We have assumed that Bellanet can find rental space including utilities at just below 70% of the current cost at IDRC. Our experience is that high quality office space with good telecommunications including broadband is at a premium in many southern cities and the cost of rental and utilities may not be any cheaper than in Canada. Similarly, the cost of replacing the services presently provided by IDRC, including professional services from accounting firms with international credibility, grants administration, banking services and legal advice will likely cost Bellanet a similar amount in a Southern location as in Canada. Individual costs will certainly vary from those in Table 9 depending on location but the relative distribution of costs across budget items is probably of the right order of magnitude.

In both scenarios, for simplicity's sake, we have assumed that the number, size and costs of the Regional Presences are the same as for this fiscal year. Additional calculations could be made to show how the Regional Presences could grow through time. We have also made no allowance for housing and supporting the servers on site, as the likely strategy would be to outsource this service. This would entail additional costs but the prices vary greatly according to the level of service and the geographic location.

Given the assumptions made for the northern and southern spin-off models, the comparison of costs in Table 9 shows that while the southern location for Bellanet headquarters would cost less than in Canada, the difference is small - only CAD\$45,000 (CAD\$525,000 compared to CAD\$570,000 in Canada).

Both scenarios are considerably below the present operating costs of CAD\$1,340,584 as an IDRC Secretariat for two reasons – the staff numbers have been reduced from 11 to 5 persons; and the staff salaries and benefits have been reduced, except for the Executive Director located in the

South. If the number of headquarters staff were increased, the comparative cost *savings* in the South would likely also increase as the salary component represents the largest budget item¹¹.

The reasons for locating Bellanet headquarters in the South are obviously not only for cost savings which our model suggests may not be significant. Many of Bellanet's clients are in the south and building capacities in the south more directly is an objective that Bellanet and its core donors share. The optics of a southern based Bellanet is also more likely to attract core funds from development assistance donors.

4.5 How would an independent spin-off be different?

Bellanet as an independent not-for-profit organization would be different from the alternative of an IDRC Program in many ways, including its governance and management, its program, and how it obtains the services it needs to operate. Perhaps the greatest difference would be for its staff.

4.5.1 Governance and management

A key feature of an independent Bellanet is that it will have its own governing body which is responsible for managing the affairs of the corporation. The Board will be responsible for setting the strategic objectives, approving the annual program of work and budget, selecting the Executive Director and overseeing the management of the organization. Directors will need to assure themselves through commissioning evaluations, reviewing technical and financial reports, and internal and external audit reports that Bellanet is well managed and conforms to government regulations. In the set-up period, the Board will also have to approve a system for contract and grant approval and Bellanet's financial and administrative policies. Members of the Board will have to devote more time to governing Bellanet than is required of the BISC today.

In many jurisdictions, a position on the Board of Directors entails legal responsibilities. In Canada, for example, Directors must act in "*good faith with a view to the best interests of the corporation*" and "*exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances*". This means that Directors can be personally liable for non-compliance by Bellanet of certain statutory or regulatory requirements such as under environmental or labour legislation. For instance, they may in some circumstances be liable for salary that is owed to employees. There is therefore an expectation that Directors will not take their responsibilities lightly.

Given that the mandate of Bellanet is international, the Board should be international in character. It should have members from different countries, such as where it is active or has partnerships. In contrast to the BISC, members of the Board of an independent organization are appointed in their personal capacity rather than as representatives of donor or partner agencies. This raises the question of whether current BISC members should be on the Board of a newly constituted Bellanet. As Directors owe a duty of loyalty to Bellanet first and foremost, it can place donor representatives in a conflict of interest situation if they are both donor and governor. That being said, it is not unusual especially in a start-up phase to ask donor agencies to appoint representatives to the Board. An alternative is to create a parallel Donor Support Group whose role is to advise the organization and help in fundraising without playing a decision-making role.

¹¹ This assumes that only the Executive Director will be hired as an international appointment in the South

The ideal Board will collectively bring to Bellanet the set of skills and contacts that will most effectively support the organization. This will include program expertise, management experience, an understanding of financial matters, and the networks that will help in fundraising. One of the criteria in selecting a host country for Bellanet should be that the legislation governing not-for-profits does not unduly restrict the appointment of experts from any country to the Board.

The experience of similar Boards is that they work well when at least some of the Directors have the time to be closely engaged in the organization. This should include at a minimum the Chair and Treasurer and preferably an Executive Committee. It may entail paying a modest honorarium for those Directors that spend 2-3 weeks a year assisting Bellanet. Without the time and energy of a few dedicated Board members, small NGOs can drift strategically and get into major financial and human resource difficulties. And they do.

The Executive Director would report to the Board and be responsible for managing the day-to-day affairs of Bellanet including overseeing the implementation of Board decisions. Being the CEO of a small, independent organization with an international mandate is one of the most challenging jobs within the development community and the appointment needs careful selection. We would strongly recommend an international recruitment process. The Executive Director does not have the resources of an IDRC to fall back on, but must make decisions largely on his or her own. It requires enormous dedication, enthusiasm, hard work, skill and experience to be successful.

4.5.2 Program

In a spin-off scenario, the strategic directions and program framework would be set by the Board, presumably with the views and priorities of the donors in mind. Proposals would be prepared by management for submission to donors to obtain the core funding that Bellanet would need to run its operations, and Bellanet would be under contractual obligations to its donors for carrying out the work and providing technical and financial reports. It is anticipated that Bellanet would continue to be funded from both core donors and from contracts and services undertaken by its staff. It would be competing with other organizations for contracts and this would presumably also influence its program.

The bottom line is that as an independent organization, Bellanet would be responsible for designing and implementing its own program of work within whatever donor or market environment it finds itself.

4.5.3 Support services

Given that Bellanet will likely have a small staff complement, it will have to outsource many of the support services that are currently provided by IDRC. While financial management, including bookkeeping, cash flow management, and budget preparation and reporting can be handled by the Office Manager/Administrator, accounting and audit services will probably be purchased from outside. Similarly, human resource management, ICT technical support, and legal services may be outsourced. It would simplify the management of an independent Bellanet if it could outsource many of these services from a single organization, such as a compatible host organization or a “campus” arrangement.

4.5.4 Staff

The most major changes between Bellanet's current status as an IDRC Secretariat are those that face the staff. Under any of the spin-off scenarios and in the involution scenario, many of the current staff would no longer be with Bellanet. If Bellanet stays in Canada, or moves elsewhere, it would hire staff under contract to Bellanet at salary scales appropriate to Bellanet's financial resources and geographic location. These would almost certainly be less than current salary and benefit packages in IDRC. Bellanet would be unlikely to offer more than 1-3 year term contracts so job security would be less than exists currently for most staff members who are employees of IDRC.

It is likely that Bellanet would start its new independent existence with a mix of new and former staff members, so that a new team and corporate culture would be created.

4.5.5 Staff views of Bellanet as a spin-off

Table 10 summarizes the views expressed by staff about the spin-off scenario.

Table 10 Staff views on the spin-off scenario

POSITIVE ASPECTS	NEGATIVE ASPECTS
<ul style="list-style-type: none"> ○ More autonomy over mission ○ More independence for program ○ More program flexibility ○ KS will continue ○ Bellanet organizational culture will continue ○ Bellanet identity/brand will continue 	<ul style="list-style-type: none"> ○ High risk option ○ Not sustainable in long term ○ May look more risky to donors ○ Donors will support us for 3 years only ○ No guarantee of long term core funding ○ Technical program component would suffer ○ Operational costs would increase ○ Hard to explain ourselves to outside world ○ Staff would change/be smaller ○ Staff salaries would decline ○ Will miss IDRC contract opportunities ○ Transition will take longer ○ We don't have expertise to replace current IDRC support ○ We don't have business skills to run NGO ○ It's challenging to set up an NGO ○ Would lose IDRC backing to our credibility ○ Programs would have to follow the money – market would dictate program ○ Staff would have to do more contract work ○ Bellanet as NGO in South would have same constant struggle for survival

The picture that emerges is that Bellanet as an independent organization would have more autonomy and flexibility to craft the organization's mission and programs. Compared to the involution scenario, staff believes that the Bellanet identity and brand will survive better as a

spin-off. At the same time, both staff members who prefer the spin-off option and those who prefer involution agree that the spin-off scenario is a higher risk one with more change involved for current staff and less long term sustainability. Staff sees the NGO scenario as a more challenging one and question whether Bellanet has the human resource skills to make it a success. The scenario was summed up by one staff member as “Exciting but scary”.

5 THE TRANSITION PROCESS

Under either the involution or the spin-off scenario, there will be a transition process that will involve IDRC, the other core donors and Bellanet management and staff. One important task will be to develop the program of work for the period April 2007-March 2010. Another would be to make decisions about what will happen to Bellanet staff members after March 2007. Some staff members may find positions in IDRC whatever scenario is followed. Others will be offered positions within ICT4D only under the involution scenario. If an independent Bellanet is set up, some staff may be recruited into the new organization but under different terms and conditions to those in IDRC. In either scenario, some staff will be made redundant from IDRC/Bellanet and notice must be given to them during this current Phase 3.

As all contracts that have been entered into on behalf of Bellanet to date are made by IDRC, under the involution scenario any that are in force beyond March 2007 can continue. Under the spin-off scenario, each would have to be reviewed to determine whether a new agreement with an independent Bellanet is needed.

The transition process will be more complex if it is decided to move ahead with the spin-off scenario. Preparing for the start-up of an independent Bellanet NGO will require considerable work if it is to be based in Canada. Establishing Bellanet in the South will be even more demanding in terms of preparation, and it will also require policy negotiations with the host country government to obtain an agreement to undertake international transactions and activities.

During the transition phase, several activities will have to be carried forward in a coordinated fashion – establishing the legal entity; negotiating a transfer agreement with IDRC; setting up systems that will make Bellanet operational independently; finding best value outsource suppliers for services; finding new accommodation; planning the physical move; and hiring staff.

Under either scenario, it would seem that the first order of business is to decide how to deal with the expected shortfall in the budget for Phase 3. Unless dramatic cuts are made to Bellanet expenditures or the donors provide supplementary funds, the Secretariat has currently only enough funds to continue until about September 2006. The BISC must decide whether Phase 3 will end earlier than planned, which will affect all staff, included seconded regional staff as well as the agreements with the Regional Presences and other contractual obligations. An early termination to Phase 3 would entail a difficult gap between Phase 3 and any follow-up scenario.

5.3 Legal requirements of a spin-off

If it is decided to establish Bellanet as an NGO in Canada, it would be created as a corporation without share capital pursuant to the Canada Corporations Act Part II. Legal counsel will have to be retained to draw up the application for incorporation as well as the initial by-laws of the future

corporation. This in itself is not a time-consuming or expensive process. If Bellanet is established in some other country, a similar incorporation process will be necessary using local legal counsel, together with obtaining the rights to operate internationally through a host country agreement. It is only this latter process that is likely to require several years. The incorporation process is a matter of weeks or months, depending on the country, rather than years.

The other legal process will be to negotiate a transfer agreement with IDRC and the future Bellanet NGO. Among the issues to be dealt with in the transfer agreement will be:

- Contracts entered into by IDRC on behalf of Bellanet with third parties that are still in force when Bellanet starts operating as a separate entity: these will have to be assigned to Bellanet, in which case Bellanet is responsible to the third party; or Bellanet has to agree to carry them out for IDRC as if it were still part of IDRC, in which case Bellanet is responsible to IDRC.
- If any staff are transferred from the IDRC Secretariat to the new Bellanet, these will be identified in the agreement. If Bellanet recruits its staff through a separate process, including those leaving IDRC, they will not be part of the transfer agreement.
- Physical assets (office furniture, computers, servers etc.) that were purchased on behalf of Bellanet may be transferred to the new Bellanet if IDRC agrees.
- Files (projects; contracts; grant administration; secondment agreements etc.) belong to IDRC and agreement must be reached to either copy the files or obtain future access to them.
- Rights to any intellectual property, trademarks, logo etc.
- Continuation or transfer of Bellanet websites, domain names etc.
- Notices to third parties of Bellanet's new status and of the transfer.

The agreement can be negotiated during the transition process to come into force once the incorporation is completed. It would be wise for Bellanet to have its own lawyer to advise it during the negotiations with IDRC, even prior to actual incorporation.

5.4 Setting up Bellanet to be operational

Several systems will need to be in place before Bellanet can start operating as an independent entity. These will be either outsourced or carried out by interim Bellanet management during the transition process. They include:

- Financial management and accounting systems: software, procedures, tracking income and expenditures; reporting to donors; all payments including those to Regional Presences in other countries;
- Human resource systems: policies will need to be drawn up and approved, including salary scales and benefits (vacation leave, sick leave, severance payment, health insurance etc.). Payroll and other functions;

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- Telephone system: as an independent organization, Bellanet will have to have its own lines;
- Internet Service Provider : the range of services to be outsourced will depend on the level of technical expertise that Bellanet will retain in-house;
- Bank accounts: if Bellanet is located in the South, a bank account in the North may also be useful;
- New premises and relocation: if Bellanet does not remain at IDRC headquarters, a rental agreement and removal contract will be needed;
- Opening accounts with utilities: these may require deposits to be made for a new organization;
- New staff appointments: the process may require a labour lawyer, especially if any appointments are made of non-nationals; a local head-hunting/search firm; and recruitment advertisements;
- Insurance policies: for premises, equipment, liability arising from contracts, visitors to premises, for Board Directors and staff;
- Identify potential members of the Board of Directors;
- Select accountant, external auditor etc.;
- Purchase of equipment, furniture, and appropriate software for administrative and program systems.

Some of these preparatory actions and services will require payment for services or down-payments and therefore the donors will need to provide for them during the transition phase. Once a decision is taken to where to establish an independent Bellanet, a transition budget would need to be drawn up. If it were in Ottawa, the amount needed for start-up costs would be at least **CAD\$60,000**. This would include CAD\$15-20,000 in legal fees for incorporation and retaining a labour lawyer to deal with staff issues; purchases of any necessary equipment, software and furniture; security payments for rent, utilities and other system hook-ups; payments for any office changes and the relocation itself. This does not include staff recruitment. If an international search is conducted for the Executive Director, another **CAD\$25,000-\$30,000** would be needed.

If it is decided to establish an independent Bellanet in Canada for the first few years and then move it to the South, *many of these transition costs would be duplicated.*

5.5 Timeframe

The timeframe for Bellanet is short. There are 20 months between now and the end of Phase 3 when either the involution or spin-off scenario must come into reality. If Phase 3 ends early, the transition would be even shorter and could involve a major disruption for Bellanet.

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In the involution scenario, there is more continuity with systems that are already in place so that achieving a smooth transition within the available timeframe is easier. Nonetheless there are some built-in milestones for the transition. One is that the internal process for budget allocation and program approval by the IDRC Board for major activities starting in April 2007 begins in September 2005 with the preparation of a proposal by the Director for ICT4D. Thus IDRC needs to know soon for its own program proposals and staffing plans whether Bellanet is to be integrated as a Program or spun-off as a separate organization that will become a grantee of IDRC.

For the spin-off scenario, the available timeframe is very restricted, especially if Bellanet is to be incorporated and/or located in the South. By way of comparison, another IDRC Secretariat, the Micronutrient Initiative (MI) has recently been established as an independent NGO in Canada. The transition timeline for MI was:

July 2000	Decision taken by MI Steering Committee to establish new entity MI management works on setting up new systems and negotiating with IDRC
July 2001	MI created as a Canadian corporation without share capital (an NGO)
July-Dec 2001	MI finalizes preparations for becoming operational The major donor does due diligence to ensure itself that MI can responsibly manage funds
1 Dec 2001	MI began operations as an independent NGO

For MI the transition process took 18 months and involved much of the time of the President, Vice President and Director of Finance and Administration for that period. MI is a larger organization but it did not have to physically move as it stayed within the IDRC building and rented space from IDRC. It was also in a much healthier position financially than is Bellanet at the time of the transition, having accumulated considerable reserves for both operations and programs.

The implication is that the BISC needs to decide soon on which scenario to pursue. Once the decision is made, Bellanet management will need to cost the transformation and draw up a detailed proposal to the BISC and to IDRC. This may entail some visits to different countries, obtaining more information and discussions with Regional Partners. In any case, it will take most of the time of management over the next 20 months. It will also require the BISC to meet more often to consider different options as the choice of location is narrowed down in the spin-off scenario and program plans are developed in either scenario.

Bellanet is a relatively young organization in its present format with staff working out of different countries in the South and the North. The transition is going to be a difficult time for management and staff as they wrestle with their own work and deal with the additional tasks and the uncertainty that the transformation will bring. It is to be hoped that the BISC can allow them as long as possible to make the adjustments needed.

6 CONCLUSIONS

6.3 Summary of the alternatives

One of the terms of reference was to find how the staff members of Bellanet view the alternative scenarios. In addition to obtaining their perceptions of each scenario (Tables 6 and 10) we asked them individually what their personal preference would be. These are summarized in Table 11. Of the nine people based in Ottawa, six prefer involution and 3 prefer the spin-off scenario. Of the regional staff interviewed, two prefer the involution scenario; one prefers the spin-off and one did not have a preference. We also asked the Ottawa based staff members if they would be prepared to relocate under a spin-off scenario. The results are shown in Table 11: five of the nine headquarters staff members interviewed said that they would be willing to consider relocation.

Table 11 Staff preferences for involution or spin-off and willingness to relocate

	prefer INVOLUTION	prefer spin-off	no preference	WILLING TO RELOCATE	total respondents
Ottawa staff	6	3	0	5	9
Regional staff	2	1	1	0	4
TOTAL	8	4	1	5	13

The main features of the alternative scenarios that emerge from this study are shown in Table 12. These are the issues that the BISC needs to consider as it decides which scenario for Bellanet's future best meets their collective objectives for development and is likely to result in an effective and sustainable organization to implement those objectives.

Table 12 Key characteristics of alternative scenarios

	involution	spin-off
LEGAL STATUS	Program within IDRC Identity and brand less visible	Not-for-profit corporation registered in Canada or in another country with host country agreement that treats Bellanet as an international organization within host country
GOVERNANCE & MANAGEMENT	IDRC Board of Governors BISC evolves into advisory body Management reports to IDRC	BISC evolves into Bellanet Board of Directors Management reports to Bellanet Board
REGIONAL PRESENCES	Will be reviewed by IDRC	Future role depends on Bellanet Board
PROGRAM	As determined by IDRC together with future core donors	Strategic directions set by Board As funded by donors and contractors
FINANCES	IDRC expected to provide \$550,000 per year for three years Low set-up costs	Headquarters operations estimated to cost \$570,000 per year in Canada and \$525,000 per year in the South IDRC expected to provide \$550,000 per year for three years Set-up costs estimated at \$60,000 - \$90,000
STAFF	Bellanet staff in Ottawa reduced to 2-4: some redundancies among present staff Some staff absorbed elsewhere in IDRC Continuity of salary and benefits for retained staff 6 out of 9 prefer involution	Bellanet staff reduced to 5 in model: some redundancies among present staff Some staff absorbed elsewhere in IDRC New salary and benefits scale for retained staff and new recruitment 3 out of 9 prefer spin-off
SUPPORT SERVICES	Will be provided by IDRC as before Servers will be hosted by IDRC	Many services will be outsourced Servers will be hosted by outside provider
TRANSITION	Relatively simple as IDRC is already legally and administratively responsible for Bellanet IDRC will provide resources and services needed during transition	More complex especially if Bellanet is relocated outside of Canada Legal status may take 2-3 years to achieve to carry out international mandate from South
RISK	IDRC assumes risk Low risk for continuity 2007-2010 Sustainability beyond 2010 depends on IDRC	Independent Board and donors assume risk Higher risk for continuity 2007-2010 Sustainability beyond 2010 depends on long term commitments from donors and competitiveness of Bellanet in its market

While there are major differences between the involution and spin-off scenarios, they also share some common characteristics. These are:

- **Staff:** It would appear that any future scenario for Bellanet will involve a downsizing of the staff based in Ottawa;
- **Program:** All scenarios will likely see a change in the program – although exactly what changes lie ahead is not yet clear.
- **Regional Presences:** While the future of the Regional Presences is also uncertain, there is no evidence to suggest that one scenario over another will either reduce or expand their role. In our financial models, we have assumed that the Regional Presences will be relatively unaffected compared to Ottawa, since moving Bellanet's activities more to the South is a priority for all core donors.
- **IDRC support:** IDRC has indicated that, subject to the necessary approvals, it plans to support Bellanet for the next three years 2007-2010 at approximately the same level as now (CAD\$550,000 per year) under *either* scenario.
- **Other donor support:** the critical unknown at this stage is which of the other three core donors will support Bellanet under the involution or spin-off scenarios (North or South headquarters). At present no additional core donors appear to be on the horizon under either scenario.

6.4 Key questions for the BISC

It would seem that in order for the BISC members to decide on which direction Bellanet should take in the future, the donors need to first address some more fundamental questions about their vision for an independent Bellanet's long term future and their degree of commitment to seeing Bellanet succeed as an NGO after 2010. For the spin-off option especially, we suggest that donors ask themselves:

1. What is their long term vision for Bellanet? Is it an organization that will rely principally on core funding from development donors for the long term (after 2010) or will it be expected to compete in the marketplace for contracts without donor subsidy?
2. Do the current donors expect to be funding Bellanet in ten years (2015)?
3. Are all current core donors willing to support Bellanet for *at least five years* from 2007 to give it an opportunity to establish itself and become self-sustaining? If not, why consider creating a new organization in the first place?
4. Is any donor willing to become the donor of last resort to help Bellanet through any potential future financial difficulties?

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5. Is any donor able to assist in negotiations with any host country governments to obtain international status within the country for Bellanet, or to provide a “home” for Bellanet pending such status being received?

If the donors cannot answer these questions in the affirmative, or are uncertain about how their organizations would respond, then we would suggest that they also consider the following questions about a migration option which was not studied in detail in this report as it was not in our terms of reference, but we believe is an option that would enable Bellanet to be southern based by March 2007:

6. Given the difficulties of creating and sustaining a new organizational entity, are there any ***existing*** organizations in the South that the donors could agree to support that has the capacity to implement the program vision for Bellanet, and thus be strengthened in the process?
7. Would the BISC consider the alternative of migrating the Bellanet program to one or more suitable Southern institutions?

If the BISC decides to ask IDRC if it would create a Bellanet Program within the context of its own Corporate Program Framework (*the involution option*); the immediate next step will be:

8. To determine how many donors will contribute to the program and what the main program directions should be;
9. To agree on the potential membership and role of a possible Advisory Committee.

If the BISC decides to create an independent Bellanet organization (*the spin-off option*), among the next steps will be:

10. To agree on which countries should be on a short-list for closer examination as potential host countries for Bellanet;
11. To agree on how to cover the financial deficit anticipated for Bellanet by March 2007 so that Phase 3 can continue until the new organization is established;
12. To agree on a transition timetable and transition funds to cover the set-up costs that will be incurred prior to the next tranche of funding in April 2007.

ANNEX 1

LIST OF PERSONS INTERVIEWED

BELLANET INTERNATIONAL STEERING COMMITTEE

Franz-Michael Melbin (<i>Chair</i>)	Deputy Head, Policy and Planning, Danish International Development Agency (DANIDA)
Manuel Flury	Head, Thematic Service Knowledge and Research Swiss Agency for Development and Cooperation (SDC)
Richard Fuchs	Director, ICT4D, International Development Research Centre Canada (IDRC)
Bengt Oberger	Senior ICT Advisor, Swedish International Development Cooperation Agency (Sida)
Isabelle Roy (<i>former member</i>)	Senior Specialist, ICT and Telecommunications, Canadian International Development Agency (CIDA)

HEADS OF REGIONAL PARTNER INSTITUTIONS

Rohit Nepali	Director, SAP-International, Nepal
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IDRC

Maureen O'Neil	President
Rohinton Medhora	Vice President, Program and Partnership Branch
Arlene Lafoley	Corporate Secretary
Rob Robertson	Corporate Counsel
Sylvain Dufour	Director, Grants Administration Division
Richard Albert	Manager, Program Accounting, Finance and Administration Division
Terras Gavin	Director, Information Technology Management
Peter Besseau	Executive Director, International Model Forest Network Secretariat (IMFNS)

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Linda Waverley	Program Manager, Research for International Tobacco Control (RITC)
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Laurent Elder	Team Leader, Pan Asia Networking, ICT4D
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OTHER ORGANIZATIONS

Frank Eady	Vice President and Secretary, The Micronutrient Initiative (MI)
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Raymond Robinson	Director, Finance and Administration, The Micronutrient Initiative (MI)
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Jeffrey Fine	Consultant
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BELLANET STAFF

Bellanet International

Michael Roberts	Interim Director
Riff Fullan	Program Coordinator
Allison Hewlitt	Senior Program Officer
Mark Paul	Senior Program Officer
Zhang Qu	Server Administrator
Sarah Kerr	Technical Officer
Graham Todd	Sandbox Coordinator
Aida Sullivan	Secretariat Coordinator
Silvia Caicedo	Communications Officer

Regional Staff

Lucie Lamoureux	Senior Program Officer, Europe
Kemly Camacho	Latin American Team Leader and Bellanet South Coordinator, Costa Rica

Shikha Shrestha	Asia Team Leader, Nepal
Dorothy Okello	Africa Team Leader, Uganda

David Balson	<i>former</i> Executive Director
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